



# **FY 2020 Water Rate Proposal to the New York City Water Board**

---

May 1, 2019

## WATER SUPPLY

- Deliver one billion gallons of water to nine million New Yorkers every day and maintain 7,000 miles of water mains
- Protect our 2,000 square mile watershed, including 19 reservoirs and three controlled lakes



## WASTEWATER TREATMENT

- Treat 1.2 billion gallons of wastewater each day
- Operate and maintain 14 plants, 96 pumping stations, and 7,500 miles of sewers

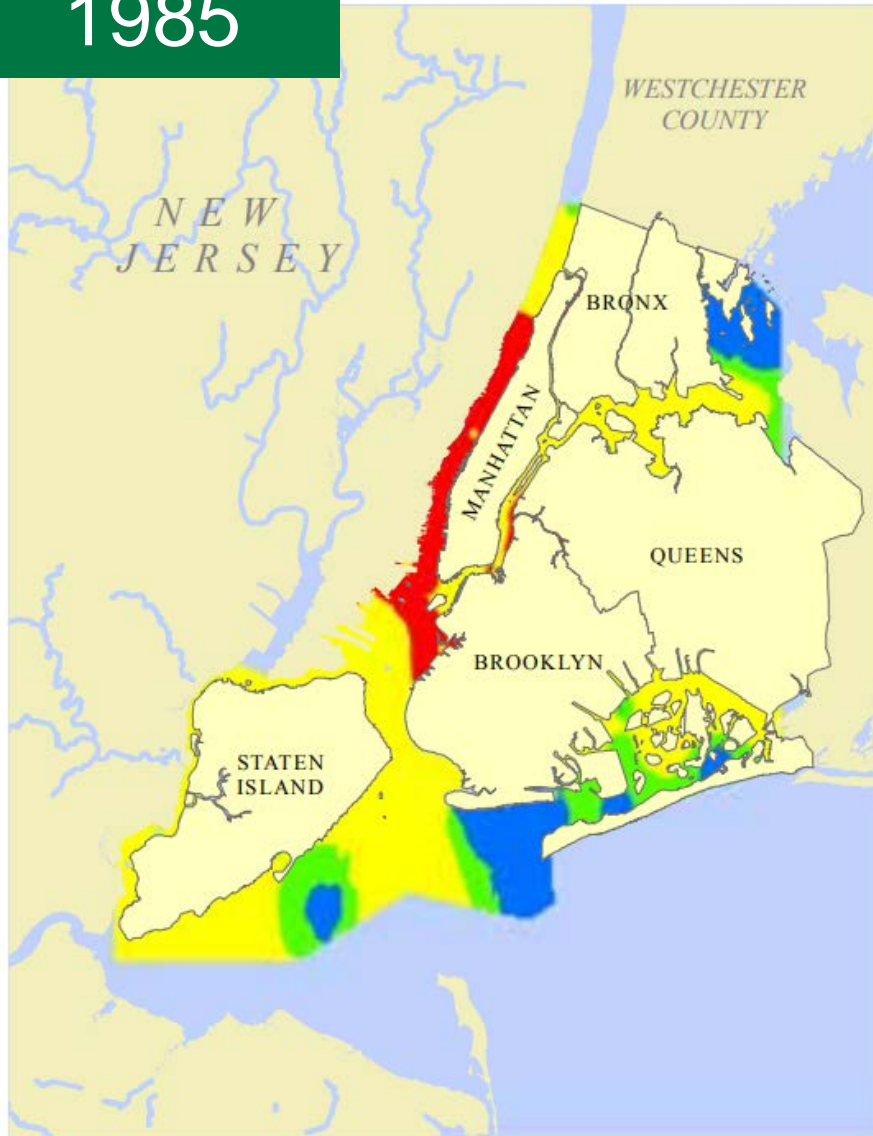


- **DEP tested 53,200 water samples, which were analyzed 654,000 times by scientists working in DEP's water quality labs**
  - In 2018, no water quality issues were uncovered through the testing procedures
- **Physical and chemical parameters:**
  - DEP tested for 41 parameters, none exceeded the allowable level
- **Organic parameters:**
  - DEP tested for 17 parameters, none exceeded the allowable level
- **Microbial parameters:**
  - DEP tested for 3 parameters, none exceeded the allowable level



# Major Progress on Harbor Water Quality

1985



Today



# Operations and Maintenance Overview

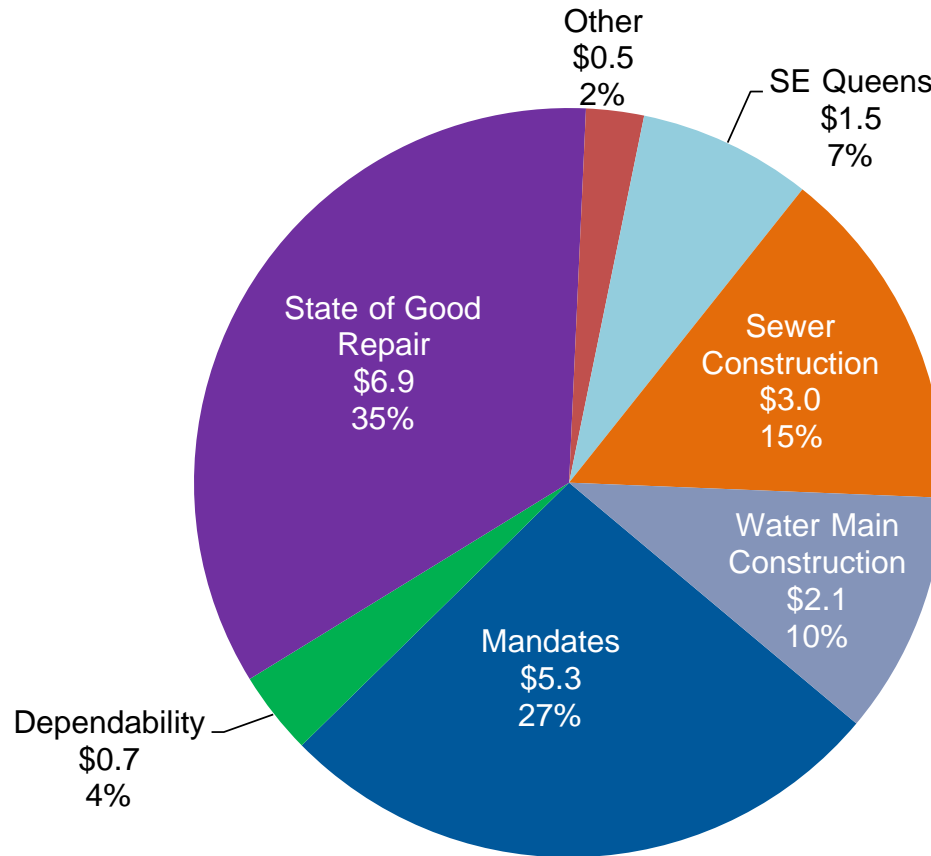
- The operations and maintenance budget funds DEP's day-to-day operations, including the maintenance of system assets
- DEP's operating footprint spans all parts of the five boroughs and extensive portions of the City's three watersheds, across eight counties north of the City
- Major expenses: electricity, chemicals, personnel expenses, and property taxes on watershed lands located outside of the City

	Outlook FY 2019	Prelim. FY 2020
<b>Operations &amp; maintenance budget</b>	<b>\$1,459</b>	<b>\$1,551</b>



# Capital Investment Plan

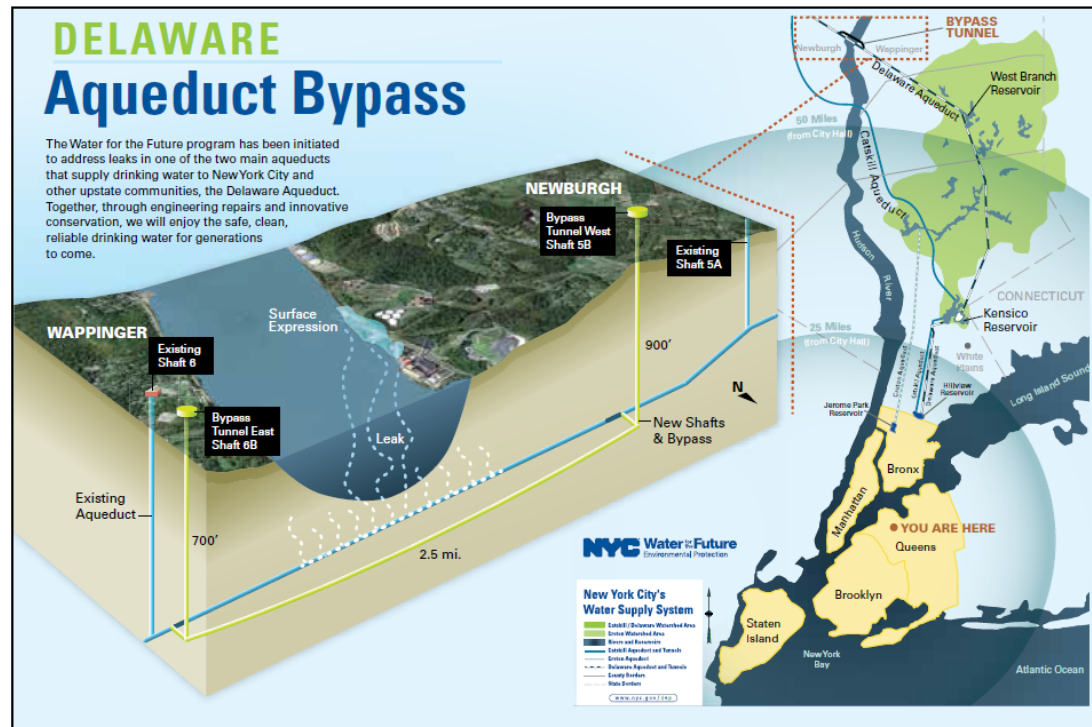
**FY 2020 – FY 2029**



**Total: \$20.1 billion**

- The \$20.1 billion capital plan includes a \$3.1 billion funding increase from the prior plan, including additional capital budget funding for these items:
  - \$931 million for sewer and water main infrastructure projects
  - \$592 million to ensure DEP's wastewater treatment plants are maintained to a state of good repair
  - \$510 million to replace the main sewage pumps at the four plants
  - \$225 million for the replacement of older force mains

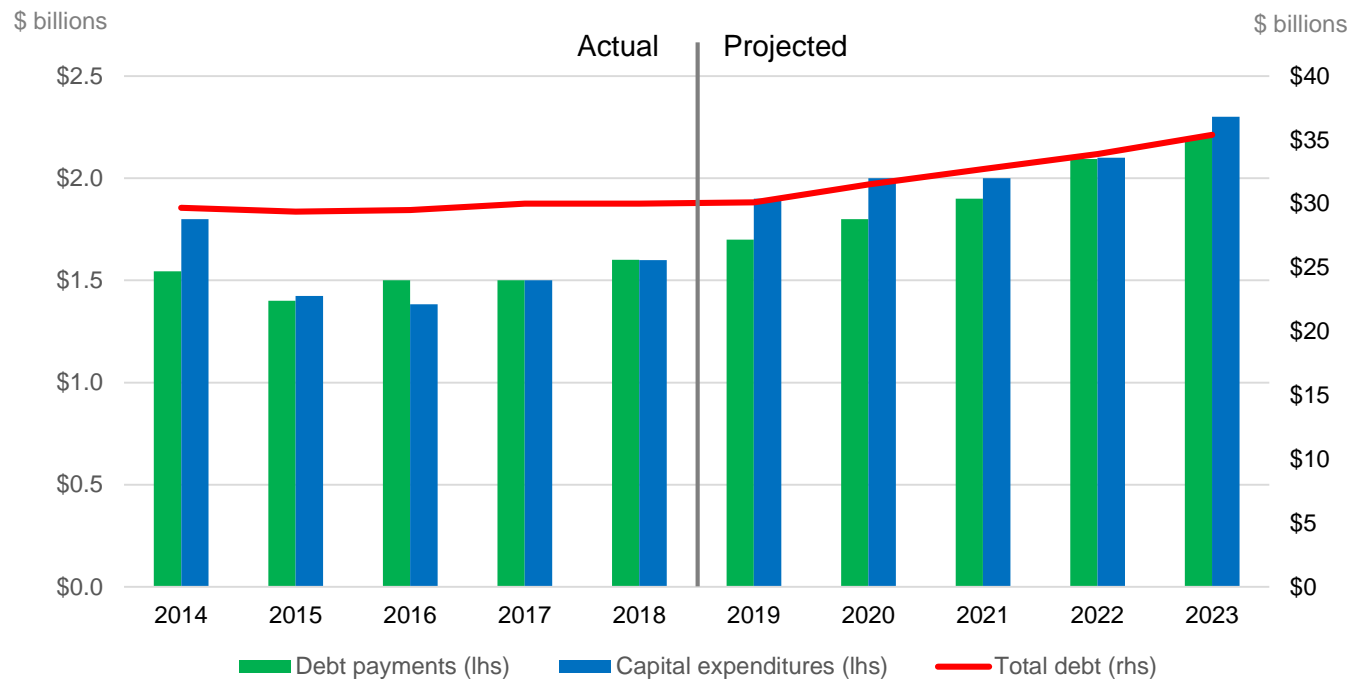




- DEP began repairing sections of the Delaware Aqueduct in 2017, to repair a 15-35 million gallons per day leak.
- The work is projected to cost \$1.2 billion; mining beneath the Hudson River is underway, with more than 70% of the tunnel mined out to date.
- DEP is currently constructing a 2.5 mile bypass tunnel to create an uninterrupted water supply when the main tunnel is closed in October 2022 for 5-8 months – no reduction in water delivery to NYC is anticipated.

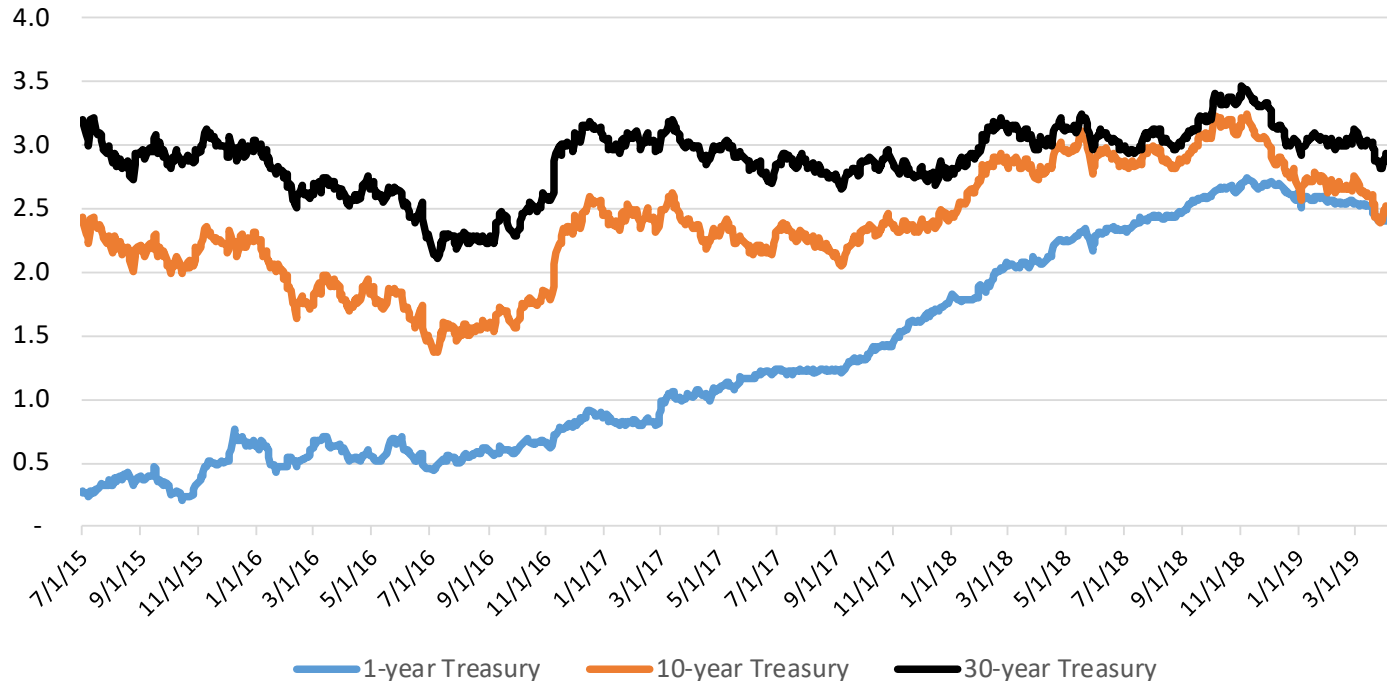


- Most DEP capital projects are financed with the proceeds of tax-exempt bonds backed by the revenues of the water and sewer system
- Total debt outstanding is projected to reach \$35 billion by 2023, as the system expects to issue \$7.6 billion of debt to fund new projects during FY20-23
- Principal and interest on debt are paid out of cash from water and sewer bills



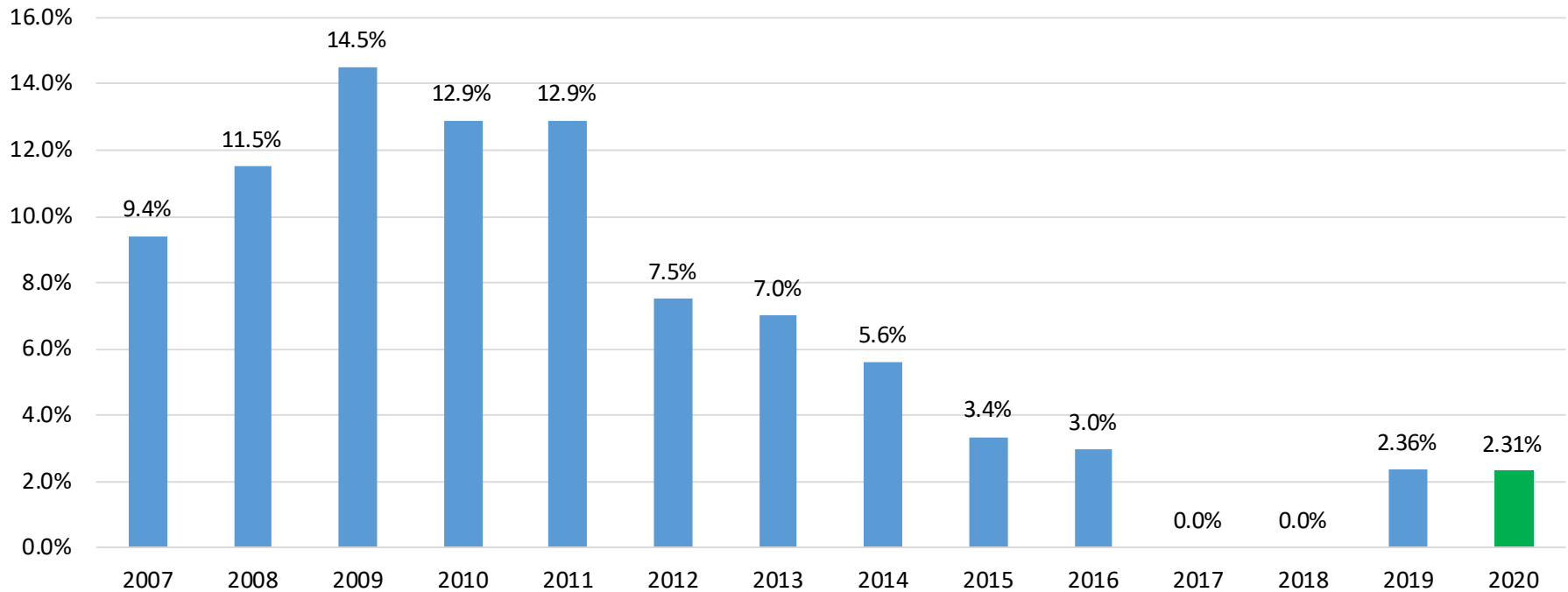
# Update On Interest Rate Risk

- Although short-term interest rates are significantly higher than several years ago, the Federal Reserve has eased its pace of rate increases
- The water and sewer system has \$31.0 billion of outstanding debt, including \$5 billion of variable rate debt, and higher interest rates result in higher system costs
- The system is seeing higher interest costs on its variable rate debt portfolio – interest rates are nearly 40 basis points higher than last year, and at one point were more than 100 basis points higher
- The Authority has refunded \$912 million of debt so far in 2019, for a \$189 million net savings



# FY 2020 Rate Proposal

- Proposing a **2.31%** increase to New York City water and sewer rates
- Typical customer monthly bill impact: \$1.35 - \$1.82



- **How was 2.31% arrived at as the proposed rate increase?**
  - Water Board rates are based on the cost of providing utility services and servicing outstanding debts that relate to water and wastewater assets
  - A rate increase will:
    - Secure funding for ongoing need to invest in system assets
    - Provide for cash flows and debt service coverage that support strong credit ratings and low borrowing costs
    - Satisfy system objective of moderating future rate increases
- **Lower than average increase in last 15-years, supported by:**
  - Careful management of DEP expense growth, with expenses increases comparable to the New York City rate of inflation
  - Interest cost and debt management by Water Authority
  - Ongoing benefit from Mayor's elimination of the rental payment

# Continuing Our Focus on Affordability

## Homeowner Assistance Credit

\$115 credit for low income, senior, and disabled households

## Multifamily Assistance Credit

\$250 credit for affordable multifamily properties

## Minimum Charge Freeze

0% increase to water rate charged to low usage properties, remaining at \$0.49 per day

## Leak Repair Credit

Partial credit for excess charges for repaired leaks

# Typical Customer Monthly Bill Impact \$1.35 - \$1.82

<b>Water and Sewer Charges</b>	<b>FY 2019</b>	<b>2.31% FY 2020</b>	<b>Annual Cost Increase</b>
Average Annual Single Family Charge (70,000 gal)	\$945.28	\$967.12	\$21.84
Average Annual Multi-family Metered Charge (52,000 gal)	\$702.21	\$718.43	\$16.22
Multi-family Conservation Program (Per Residential Unit)	\$1,028.53	\$1,052.29	\$23.76
Minimum charge properties	\$463.55	\$463.55	\$0.00



# NYC Rates Consistently Below Other Cities

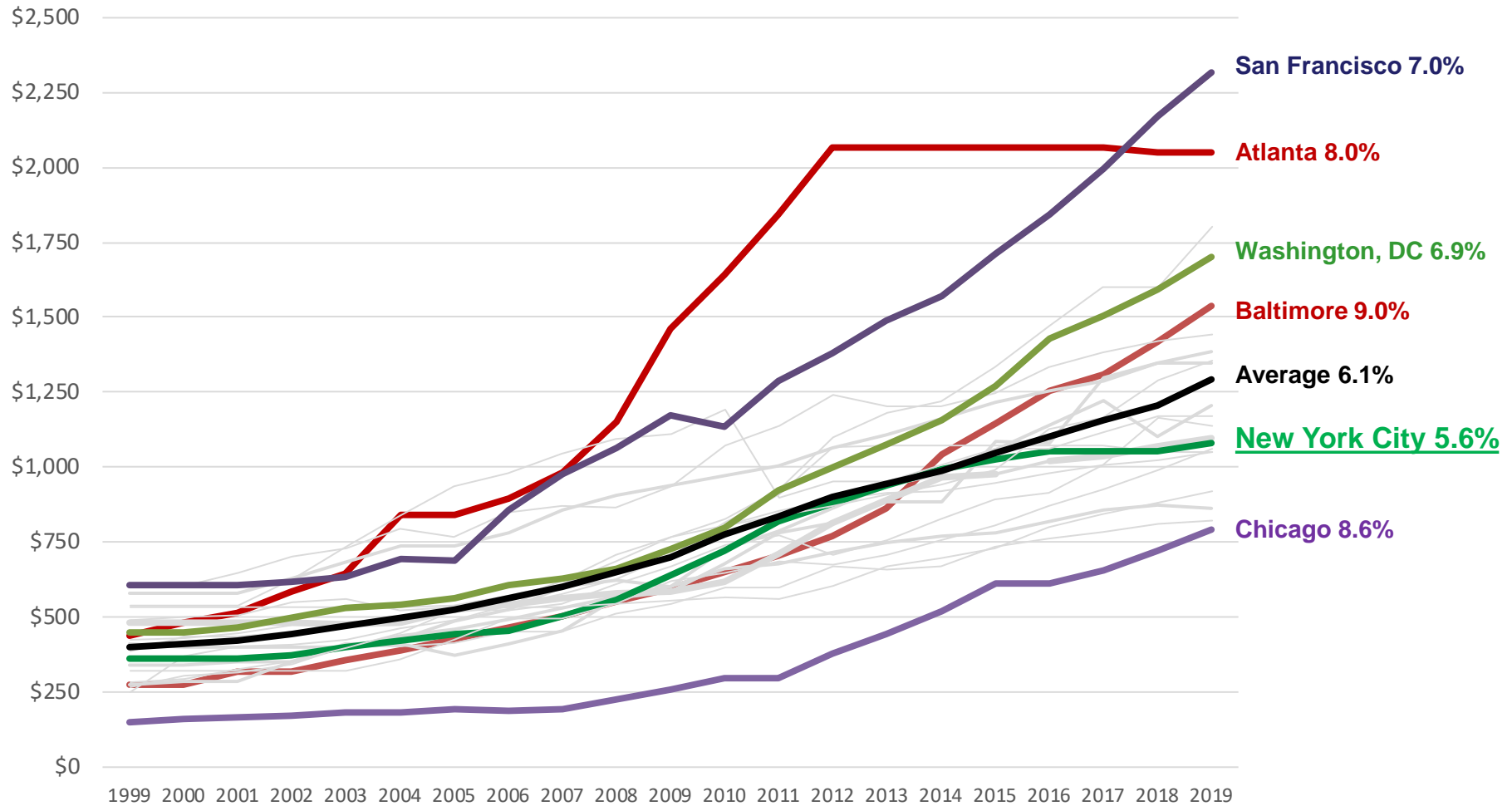
		New York City	30 Large City Average <sup>1</sup>	NYC vs. Average
Based on 80k gallons per year	2014	\$992	\$987	0.5%
	2015	\$1,025	\$1,048	-2.2%
	2016	\$1,055	\$1,101	-4.2%
	2017	\$1,055	\$1,156	-8.7%
	2018	\$1,055	\$1,205	-12.4%
Based on 70k gallons per year	2019	\$945	\$1,119	-15.5%
	2020	\$967	N/A	N/A

Note 1: based on rates in effect as of February 2019.

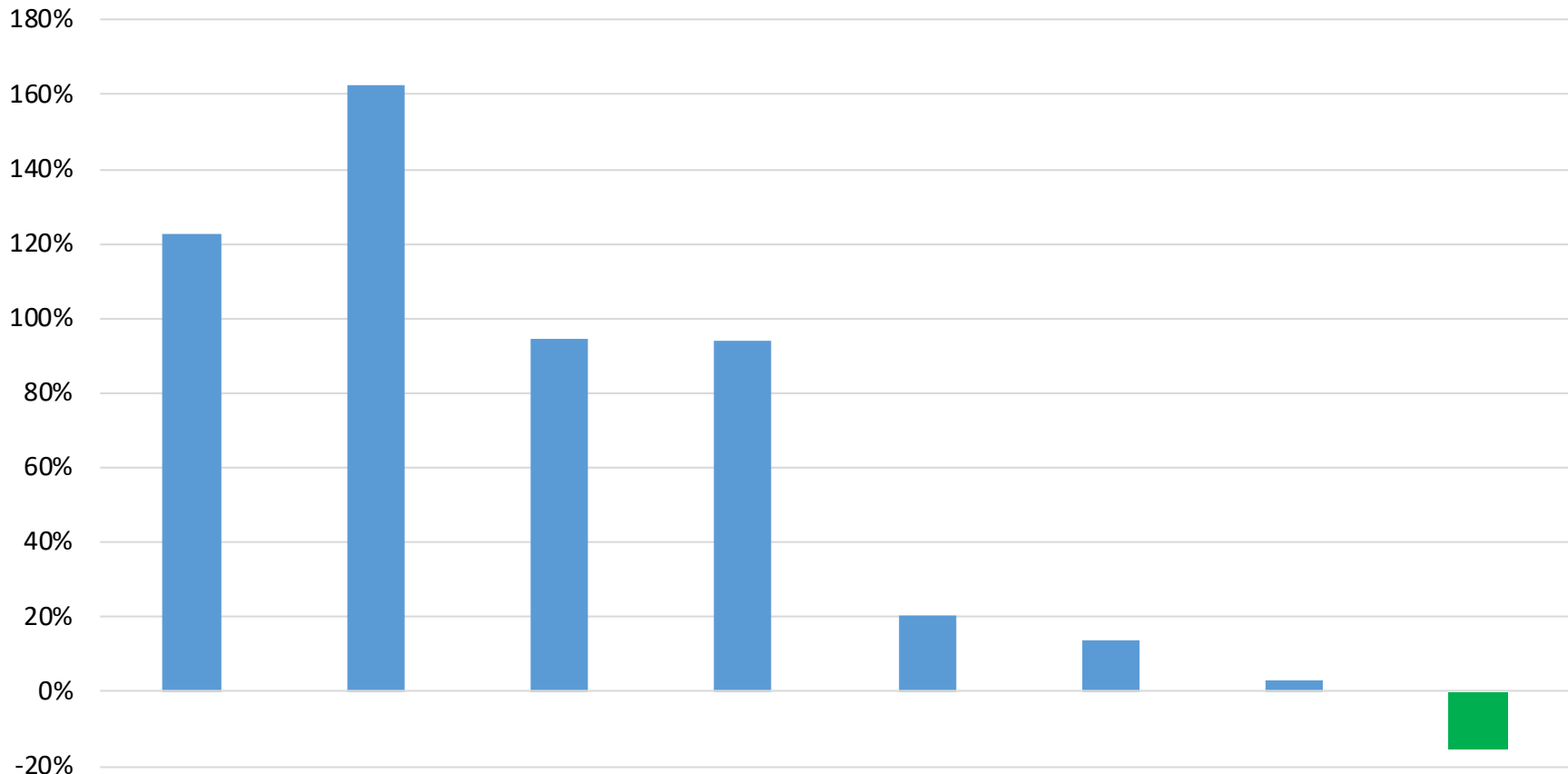
# Rate Trends in Major Cities

Average annual single family charge in dollars

Average annual growth  
1999 - 2019



# Difference in Consumer Costs, NYC vs. U.S.



	1-Bedroom Rent	1- to 3- Family Home Sale	Apartment Sale	Electricity	Natural Gas	Heating Oil (#2 Fuel)	Unleaded Gasoline	Water & Wastewater
	(average monthly rent)	(median per sale)	(median per sale)	(average per year)	(average per year; 6,000 kwh)	(average per gallon)	(average per gallon)	(average per year; 70,000 gallons)
NYC	\$2,106	\$650,000	\$457,000	\$1,570	\$1,226	\$3.36	\$2.49	\$945
U.S. Cities	\$946	\$247,500	\$235,000	\$810	\$1,020	\$2.95	\$2.41	\$1,119

Source: Apartment List (apartment rental); The Real Estate Board of New York and National Association of Realtors (apartment and home sale); Consolidated Edison and U.S. Bureau of Labor Statistics (electricity); U.S. Bureau of Labor Statistics (natural gas); New York State Energy Research and Development Authority and U.S. BLS (heating oil); U.S. Bureau of Labor Statistics (gasoline); NYC FY 2020 Water and Wastewater Rate Report (water & wastewater)

- **Minimum charge for water frozen at \$0.49 for sixth consecutive year**
  - Applies to customers with low water consumption
  - Usage threshold: less than ~92 gallons per day
  - Bills are calculated using a fixed water rate – metered rates are not used
  - Fixed water rate will remain at \$0.49 per day, and combined water and sewer rate of \$1.27 per day
  - Total annual water and sewer bill \$463

- The Department of Environmental Protection expects to adopt a rule requiring a permit to be obtained when drilling or excavating in certain areas of New York City, when the activity is in close proximity to DEP and Water Board tunnels and shafts.
- Rule is being promulgated pursuant to Section 1403(a) of the City Charter, Section 24-302 of the City Administrative Code, and Section 24-367 of the City Building Code.
- The rule adopted by DEP and is in effect; the Water Board is being asked to approve the authority and dollar amount for the permit fee itself, to make the fee part of Water Board revenues.
- The Water Board would collect the **proposed permit fee of \$1,000.**
- Permit required when proposed drilling or excavation activity is:
  - to a depth greater than fifty (50) feet below ground surface in the borough of the Bronx, or on or north of 135th Street in the borough of Manhattan, or greater than 100 feet in the borough of Brooklyn, Queens or Staten Island or south of 135th Street in the borough of Manhattan, or to any depth within 200 feet horizontal distance of a water tunnel shaft.

- Accounts relating to properties with open DEP violations will not be eligible to participate in certain Water Board billing programs, including:
  - Obtaining Innocent Purchaser status
  - Receiving a credit under the Leak Forgiveness Program



# Preliminary Financial Outlook

Million of dollars	Estimated FY 2019 *	Preliminary FY 2020	Comment
Water Authority funds for debt service plus funds for cash capital investment or defeasance of existing debt	\$2,197 (58%)	\$2,164 (57%)	Funding of ongoing capital program and balance sheet management
DEP operations and maintenance	\$1,459 (39%)	\$1,551 (41%)	Investments include funds for operating divisions, engineering organization, and customer service
Water Board and Water Authority direct expenses	\$101 (3%)	\$105 (3%)	No significant changes anticipated
<b>Total projected expenses</b>	<b>\$3,757</b> (100%)	<b>\$3,820</b> (100%)	

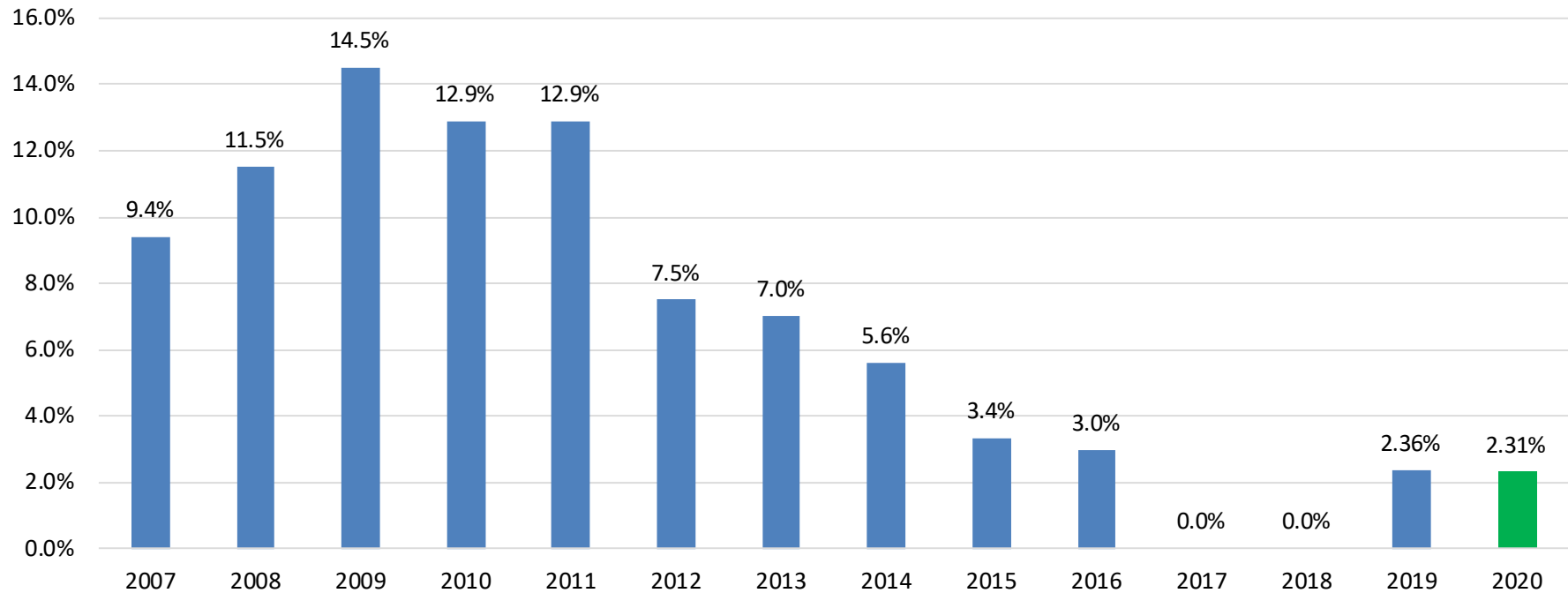
\* The Water Authority expects to undertake an additional \$175 million of defeasance in FY 2019; the additional defeasance is expected to be largely funded with debt service cost savings.

Sources:

- Water Authority: FY 2019 and FY 2020 per Water Authority outlook and budget adopted March 25, 2019
- DEP O&M: FY 2019 and FY 2020 per DEP internal budget projection of April 3, 2019
- Water Authority direct expenses: FY 2019 and FY 2020 per Water Board budget and outlook adopted March 25, 2019
- Water Board budget: FY 2019 per Water Board budget adopted June 1, 2018; FY 2020 per system official statement dated April 17, 2019

# FY 2020 Rate Proposal Recap

- Proposing **2.31%** rate increase
- Typical customer's bill impact: \$1.35 - \$1.82 per month increase



# Borough Rate Hearing Schedule

Borough	Date	Location	Time
Bronx	May 30	Hostos Community College Savoy Building, 2 <sup>nd</sup> Floor 120 East 149 <sup>th</sup> Street	7:00 pm
Manhattan	June 4	255 Greenwich Street Eighth Floor, Room 8-S1S2	2:00 pm
Queens	June 5	John F. Kennedy, Jr. School (P721Q) 57-12 94 <sup>th</sup> Threet	7:00 pm
Brooklyn	June 10	St. Francis College 180 Remsen Street, Founders Hall	7:00 pm
Staten Island	June 11	Joan and Alan Bernikow JCC 1466 Manor Road	7:00 pm





[nyc.gov/dep](https://nyc.gov/dep)

